



Moving ahead in a VUCA world

– What is VUCA?

VUCA is a term that perfectly describes the types of situations that StratX ExL trains leaders to understand and manage.

An acronym of **volatility, uncertainty, complexity** and **ambiguity** it was coined to describe the multipolar geopolitical reality that emerged from the end of the Cold War, when the relative stability enforced by the ‘Great Powers’ could no longer be relied upon. The term has since been useful in describing a wide range of situations faced by organizations of every size.

Rather than simply surviving through VUCA times, we can find new ways to thrive

Understanding modern business through the lens of VUCA shows us how everyone within an organization must be empowered to think and act strategically. Businesses are facing challenges on multiple fronts; chip shortages impacting manufacturing, supply chain difficulties post-Covid, and the threat of inflation putting pressure on businesses’ operating costs while disrupting the labor market. VUCA demonstrates how organizations must align with the values held by their people as we strive together to constantly reinvent ourselves and reimagine the roles of our organizations in an ever-changing, seemingly ever more turbulent world. Through collective responsibility and mutual support, harnessing the potential of diverse, inclusive teams we can, rather than simply surviving through VUCA times, find new ways to thrive.

Despite the difficulties implicit in VUCA times, the second half of the 20th century saw the development of more democratic ways of working and living, better representation and more freedom of opportunity than had ever been seen before. Clearly, there is always more work to be done, and the progress that has been made is fragile. But understanding VUCA, mitigating its negative impacts and harnessing its opportunities will keep us moving in the right direction, both as individuals and as organizations.

More VUCA than ever before

The concerns of the mid-20th century, when VUCA was first described, can seem trivial compared to what leaders are faced with today.

Armed conflicts and insurgencies are ongoing on every continent: some driven by recent increased pressure on resources, many others are atavisms of ancient disputes. We have recently witnessed the largest land invasion to have taken place in Europe since the end of the Second World War, escalating a conflict that threatens to reignite longstanding divisions across the continent.

In the US and more recently in Latin America, elections have ended in violence. Misinformation fuels these conflicts: simultaneously provoking escalation and impeding the public's ability to understand the realities behind them.

Climate crisis is exacerbating pressure on resources and displacing populations, creating new flashpoints for conflict. Poorer countries are feeling the effects of climate change first and most acutely.

Meanwhile, the Covid-19 pandemic is far from over. In early 2023, 90% of the population of China's central Henan province was reported to be infected with the virus. The province is China's most populous, and also home to many of the country's most vital industries. With the prospect emerging, once again, of health services being overwhelmed, many western countries were quick to reimpose travel restrictions. A grim reminder of the early days of the pandemic when we saw broken supply chains and rapidly eroding trust.

In this context, the progress made in the 20th century begins to look like an anomalous blip, a brief deviation from the last two centuries of unequal progress. The first quarter of the 21st century has culminated in unprecedented wealth inequality. According to Oxfam, the richest 1% of the world's population became \$26 trillion richer since the start of the Covid-19 pandemic – taking home 63% of all wealth generated globally. In developed countries, access to affordable healthcare and safe housing is at its lowest in decades.

The sense of accelerating, multifaceted crisis has created opportunities for extremist political parties to capitalize on public dissatisfaction, scapegoating the most vulnerable members of society while making deeper cuts to public spending, further concentrating wealth and deepening division.

Experiential learning teaches agility and adaptability, creating leaders that lead for the benefit of others, and creating safe, productive workplaces where people of all backgrounds can succeed

Where to find hope in this febrile atmosphere? Teaching agility and adaptability is just the start. Creating leaders that lead for the benefit of others, creating safe, productive workplaces where people of all backgrounds can succeed, distributing the fruits of these successes equitably. These are some of the goals we aim for when we train individuals to lead their organizations through VUCA times.

Breaking VUCA down

Volatility

Change is not the same as volatility. Change can be incremental, planned and predictable. Volatility occurs when change is unpredictable in its speed and scope, when it doesn't follow familiar patterns. But this doesn't mean we can't plan for volatility. Agility, flexibility and clear communication allow organizations to navigate and find opportunities within volatile environments. The communication and teamwork skills required to deal with volatility can be developed through experiential learning techniques, which give teams hands-on exposure to volatile situations, in a controlled environment.

Uncertainty

Uncertainty extends beyond not being able to predict what will happen in the future. Uncertainty affects our understanding of the present situation and the past conditions that have led to this point. But certainty can be just as damaging as uncertainty: open-mindedness is essential if we are to move beyond uncertainty, and vital if we are to act according to the best information and without bias. Training initiatives which actively encourage diversity of thought and openness are essential in preparing teams to deal with uncertainty.

Complexity

The effects of complexity are compounding; where two variables make a situation challenging, the addition of a third variable makes it exponentially more so. In reality, we must constantly be aware of the multiple forces that act upon us, and we must decide which variables are vital to our understanding of a situation, and which are merely adding to the fog. The development of an understanding of the complexities of customers' needs, and how they're affected by market forces, must be addressed in employee training so that organizations are equipped to face complexity with confidence.

Ambiguity

All forms of communication have the inherent capacity for ambiguity, the intentions of a third party can be hard to read and imperfect data creates a cascading effect that can bring down entire systems. But this is not all outside of our control: our own unconscious biases create new ambiguities; confirmation bias or the confusion between simultaneity and causality can lead to otherwise avoidable mistakes being made. By experiencing realistic simulated scenarios as a team, organizations can develop the trust, communication and effective teamwork skills that are vital for dealing with ambiguity.

Experiential learning gives teams hands-on experience of a VUCA environment in a safe, controlled manner, enabling employees to develop all of the skills required to deal with such situations when they encounter them at work.

How useful is it to focus on VUCA?

VUCA is a purely descriptive term for a state of affairs that can exist in any place at any time. As such, it can initially seem too general and all-encompassing to be truly useful. But, as a descriptor of certain types of situations, VUCA can be used as a framework through which the challenges facing organizations and their leaders can be understood. In turn, this allows organizations to identify strategies that not only help them counter these challenges, but which lead to better and more productive ways of working.

The management of VUCA involves several distinct processes:

- Anticipating challenges
- Understanding possible consequences
- Appreciating the interdependence of variables
- Preparing for alternative outcomes
- Exploring opportunities that emerge



VUCA leadership

Anticipating challenges

Anticipating challenges is made more difficult by the presence of volatility, where the speed and direction of change is unpredictable. While it is impossible to be prepared for every conceivable turn of events (or, indeed, those that seem unconceivable before they occur) it is possible to have structures in place that enable agility and rapid flexibility. Open communication and trust between leaders and employees, and openness to new ideas and solutions, are indispensable assets that can be acquired through experiential learning techniques.

Understanding possible consequences and preparing for alternative outcomes

Uncertainty and volatility require us to consider multiple possible outcomes, and to weigh their likelihood against their impact. The emergence of new technologies offers alternative solutions with their own consequences. Sometimes these innovations provide better ways of working that organizations can integrate into their future development, but new processes and technologies can also create novel challenges. Anticipating such disruptions is a key lesson of business simulations, in which teams can experience uncertainty in a safe environment.

Appreciating the interdependence of variables

The number, severity and frequency of challenges facing organizations can seem daunting. More so when we consider that each variable has the capacity to amplify, alter or negate the impact of any other variable. In complex systems, tiny changes in the initial conditions will result in wildly different outcomes. Clearheaded analysis of which variables present the most influential risks and opportunities is needed. But it is also necessary to be able to change course in the face of the unexpected.

Exploring opportunities that emerge

With effective leadership, there is always ample scope for exploring opportunities that emerge from VUCA. But doing so in an ethical and sustainable way presents a challenge. The Covid-19 pandemic is a prime example of markets being severely disrupted by volatility, uncertainty, complexity and ambiguity, creating many opportunities for pandemic-driven businesses, even as the economy as a whole suffered. Similarly, the energy crisis resulting from Russia's invasion of Ukraine allowed the energy sector to become the most profitable sector during 2022. But energy costs have an outsized impact on inflation, and their rise exacerbated the threat of a wider economic downturn.

When opportunities emerge from VUCA, we must always ask ourselves what the outcome of pursuing these opportunities could be. And when the answer is more VUCA, there are opportunities that should be turned down.

Leadership at all levels

Skilled leaders are needed to guide organizations through VUCA times. And these leaders already exist within your organization. Simply giving autonomy to senior executives is not enough, leadership skills need to be developed from the top of the organization to the bottom. When people at every level of your organization are trained to think strategically like a leader, when as many voices as possible within an organization can be heard, and when the organization has the necessary flexibility and agility, you are prepared to succeed in a VUCA world.

**Nothing compares to
hands-on experience**



Leaders are made, not born. Leadership can be taught when the right culture is in place to help potential leaders develop, enabling every member of the workforce to acquire new skills. Traditional models of training, based on limited appraisals being used to identify learning needs, are inefficient at connecting employees with resources that are relevant to their needs and in teaching them how to apply their learnings. On the other hand, 'learning in the flow of work' is an approach that prioritizes hands-on experience and helps develop skills during work time, in the work environment, without unnecessarily disrupting employees' routine activities.

Nothing compares to hands-on experience when it comes to learning leadership skills. It is the key to better knowledge retention and to the ability to effectively apply what has been learnt in practice. But peer-to-peer interaction is indispensable, too: training communication skills gives leaders in your organization the chance to leverage the breadth of knowledge and perspectives that become available when a diverse team is in place.

Adapting ahead of the times

The ongoing shift towards flexible working has much to teach us about anticipating challenges and understanding their possible consequences.

It is difficult to overstate the impact of current trends in working practices: the shift toward flexible working is comparable to that which was triggered by the Industrial Revolution. It is a cultural change that will extend beyond the workplace and which many have embraced, not just for the improvements in work-life balance and productivity that flexible work can bring, but for the possible unintended and unpredictable impacts. For example, the regional economy outside of traditional commercial centers receives a boost when people can work from wherever they choose.

Disruption occurs when new processes and techniques harness a suitably mature technology



A rudimentary version of steam-power was proposed by the Roman architect and engineer Vitruvius in around 20BCE. And yet the Industrial Revolution, widely understood as being enabled by the invention of steam power, didn't begin until around 1760. Similarly, the technology that enables flexible working had been maturing for decades before the Covid-19 pandemic precipitated what has become a revolution in flexible working. Clearly, the mere presence of a revolutionary technology is not enough to cause disruption on its own. Disruption is the result of new processes and techniques that harness sufficiently mature technologies, and these practices are unlikely to gain momentum and catch on without external stimulus such as that created by the pandemic.

Despite the presence of teleconferencing technologies and high-speed internet, centralized working practices were deeply entrenched before the Covid-19 pandemic. The pandemic served as a catalyst for disruptive change. Even in its wake, organizations that were reluctant to give up traditional ways of working tended to hang on to the hope that things would return to 'normal' and resisted embracing change. This has led to such organizations feeling pushback in what has been called 'the great resignation', as workers realize their collective ability to demand working conditions that fit their preferences.

Adapting ahead of the times

However, this broad overview of the situation risks missing some important nuances. While the impact of this shift toward flexible working will be felt throughout the economy, some sectors will feel it directly while others will only be indirectly affected. Therefore, the strategies adopted by each type of organization must be tailored accordingly.

The shift to flexible working is biased towards high-paid, high-qualified professions in advanced economies. And even among the skilled workforce, there are certain highly specialist tasks that simply cannot be done remotely. It is likely that at least half of the workforce will be denied the opportunity to benefit directly from flexible working practices.

Organizations should by now have identified how they are likely to be impacted, directly or indirectly, by the rise of flexible working. Waiting for 'things to get back to normal' is simply not an option. Flexible working will directly benefit many types of organizations; however, others may face new challenges. For instance, the drop in volume of people commuting to work will pose challenges for commercial real-estate, transport and even F&B businesses that rely on the commuter economy.

Adapting to the new reality of flexible working, and learning lessons from these adaptations, will be useful in the future. No-one can say for sure where the next disruption will come from: automation, AI or elsewhere. But mastering the adaptability required to deal with the remote working revolution will equip organizations with the skills needed to thrive through whatever the future brings.



Complexity, ambiguity and clear communication

Public health is a complex challenge, and one where the solutions are often imperfect and have far-reaching consequences due to the interdependency of countless variables.

In the first months of 2020, when the Covid-19 virus was beginning to spread rapidly around the globe, governments had to tackle a dilemma between imposing strict lockdowns to slow the spread of the disease and minimizing economic impact by allowing greater freedom of movement. Their chosen response to this dilemma would come to define the progress of the pandemic.

This dilemma is defined by two variables: strictness of lockdowns and impact on the economy. Yet, far from being a simple decision based on data modelling and utilitarian principles, how governments chose to tackle the problem had myriad interdependent consequences.

The central problem facing those managing pandemic response was summed-up in the concept of 'flattening the curve': avoiding a sharp peak in cases by slowing the rate of infection, thus giving enough time for health services to ramp up their capacity and not become overwhelmed. This approach is based on well-established understanding of epidemiology, its application varied between countries based on factors such as their existing healthcare infrastructure, demographics and capacity to absorb economic shocks.

However, the Swedish government's response stood out for being more laissez faire than that of any other developed country. And despite the controversy surrounding it, the example has much to teach us about leadership principles.

While on the face of it, this response appeared to be a high-risk outlier, it was in fact the result of much planning and followed well-defined procedures. And clear, transparent communication was the most vital piece of making the strategy workable.

By putting strategic decisions in the hands of public health agencies and following well-laid plans, decision making was able to remain largely apolitical. In the wake of the H5N1 avian flu outbreak of 2005, Sweden had created a national pandemic plan. This plan made the Public Health Agency of Sweden responsible for monitoring risks and allowed it to form the National Pandemic Group, comprising relevant government agencies, to coordinate pandemic response. The year before the Covid-19 outbreak, the Johns Hopkins Center for Health Security ranked Sweden 7th overall in its Global Health Security Index.

Trust is essential in VUCA times



In contrast to most other countries, Sweden did not impose nationwide curfews or lockdowns, these being prohibited by the Swedish constitution. Neither did Sweden close schools to prevent transmission. However, this is not to say that the strategy was to do nothing, nor was it aimed at achieving 'herd immunity'. The measures that were taken were targeted to protect vulnerable members of society and to slow transmission enough that health services would not be overwhelmed. It should also be emphasized that changes were made to the strategy as the pandemic progressed and more was learnt about the disease.

There are many variables that make it hard to determine to what extent the Swedish response to Covid-19 was effective. But Sweden fared well in comparison to other nations: according to a paper published by the Lancet in March 2022, Sweden ranked 176th out of 194 countries assessed for excess mortality rates during the pandemic, with a lower excess mortality rate than 31 other European countries.

One aspect of the response that did stand out, however, was how the strategy was communicated to the Swedish public. By maintaining transparency, the Swedish government was able to retain a high level of public support for the strategy and was able to clearly communicate when and why decisions or course-adjustments were made. And this was at a time when, in many other countries, the pandemic response was generating unprecedented levels of distrust. By April 2020, surveys showed that 71-76% of Swedes trusted the Public Health Agency. In March that year, 53% said they trusted the state epidemiologist, with the figure rising to 69% just a month later. While this support has waned as public fatigue around the pandemic has grown, the figures demonstrate that having a clear chain of responsibility, and clearly communicating a plan and the motivations behind it are vital for creating trust. And trust was essential for saving lives during this most VUCA of times.

Countering resistance to change

There is a range of possible responses to the climate crisis: from denial, to mitigation, to actively using business transformation to explore new emerging opportunities.

As early as the 1970s, scientists working for a major US oil and gas corporation were making predictions about the impact on the climate of continued burning of fossil fuels, and these predictions have transpired to be astoundingly accurate. However, despite being forewarned that their business model was unsustainable, the industry protected its short-term interests by leading the way in denying the threat posed by climate change and funding lobbying groups designed to misrepresent the findings of climate research.

Clearly, this strategy was successful in maintaining profitability over the past 40 years. However, in choosing to avoid the issue, opportunities to explore more sustainable ways of working, which could lead to better profitability in the longer-term, have been missed. Now that the reality of climate change is almost universally recognized, organizations can no longer indulge in denial, and are instead obliged to search for such opportunities. The automotive industry, for example, is embracing decarbonization through the development of zero tailpipe emission vehicles. As a solution to climate change, this approach has received criticism for perpetuating car-centric culture, prioritizing business as usual over radical change.

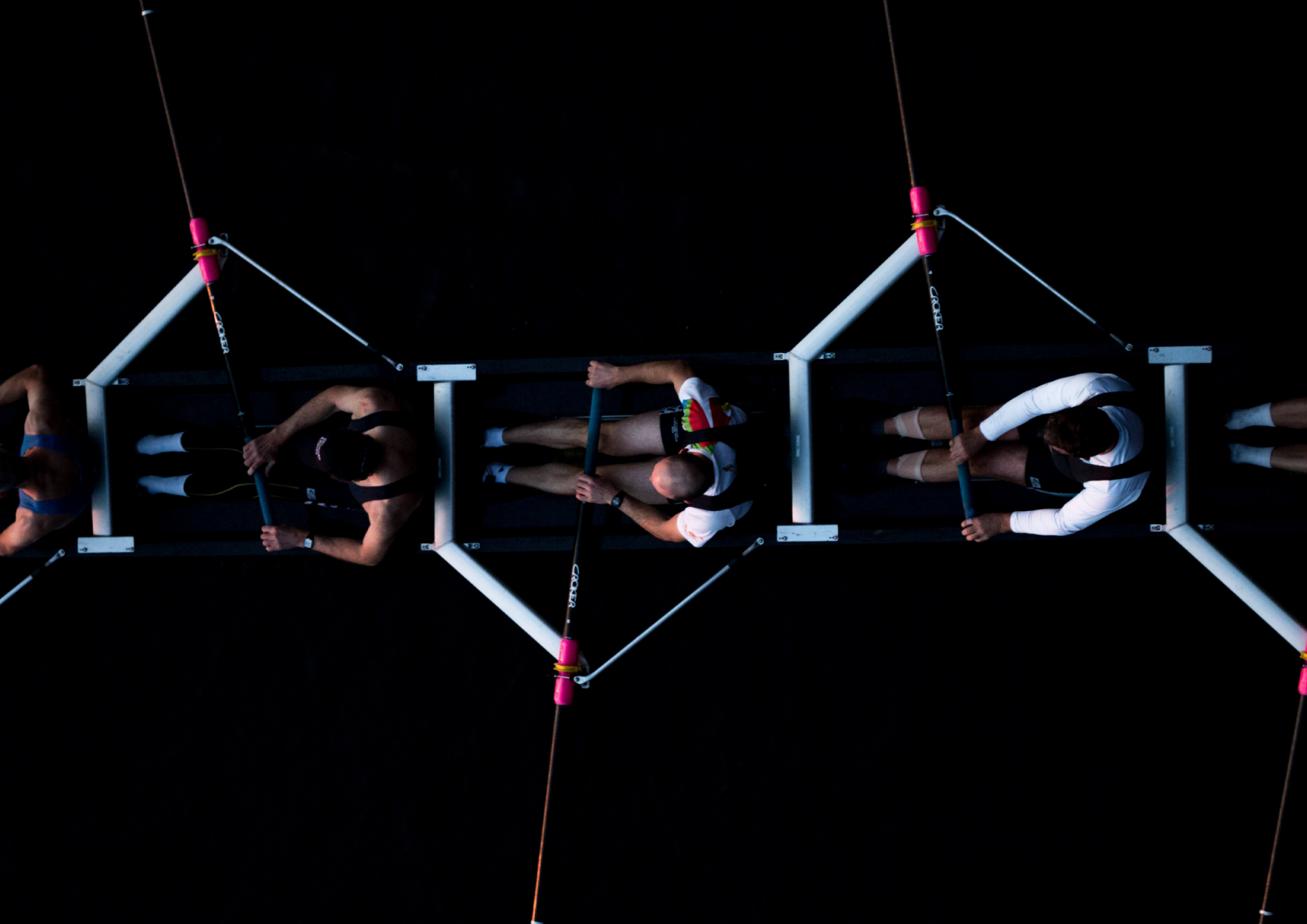
Having a strategy that is sustainable in the long-term allows organizations to have more confidence that they can ride out the most severe VUCA events in the short and medium-term

There are, however, examples of organizations aiming to transform formerly highly unsustainable business models, creating more long-term sustainable ways of working. For instance, the world's biggest furniture retailer was, not long ago, a prime example of a low-cost, high-volume retail, whose products were regarded by many as being practically disposable. Now, the company has adopted the UN Sustainable Development Goals as a framework to set some truly bold targets for 2030. They aim to become 'forest positive', regenerating forests by sourcing raw materials through responsible forestry. Customers can now sell second-hand products in the company's stores, reducing overall consumption and bringing the company closer to the goal of a circular economy by 2030. The business is also aiming to reduce carbon emissions to zero throughout the supply chain without the use of carbon offsetting, by using only renewable energy sources.

These measures add up to a business model that will be more sustainable in the long term and that is more beneficial to the wider community. It is also likely to attract more business from a public that is ever more aware of sustainability issues. Having a strategy that is sustainable in the long-term allows organizations to have more confidence that they can ride out the most severe VUCA events in the short and medium-term.

Empowering your people is empowering for your organization

Achieving business transformation can only be done by first empowering the people within it. During VUCA times, cross-functional teams make better decisions, and do so independently and for the good of the organization. Leaders and managers need to be ready to engage with colleagues at all levels of the organization, allowing all voices to be heard so that those with impactful new ideas are given a chance to succeed.



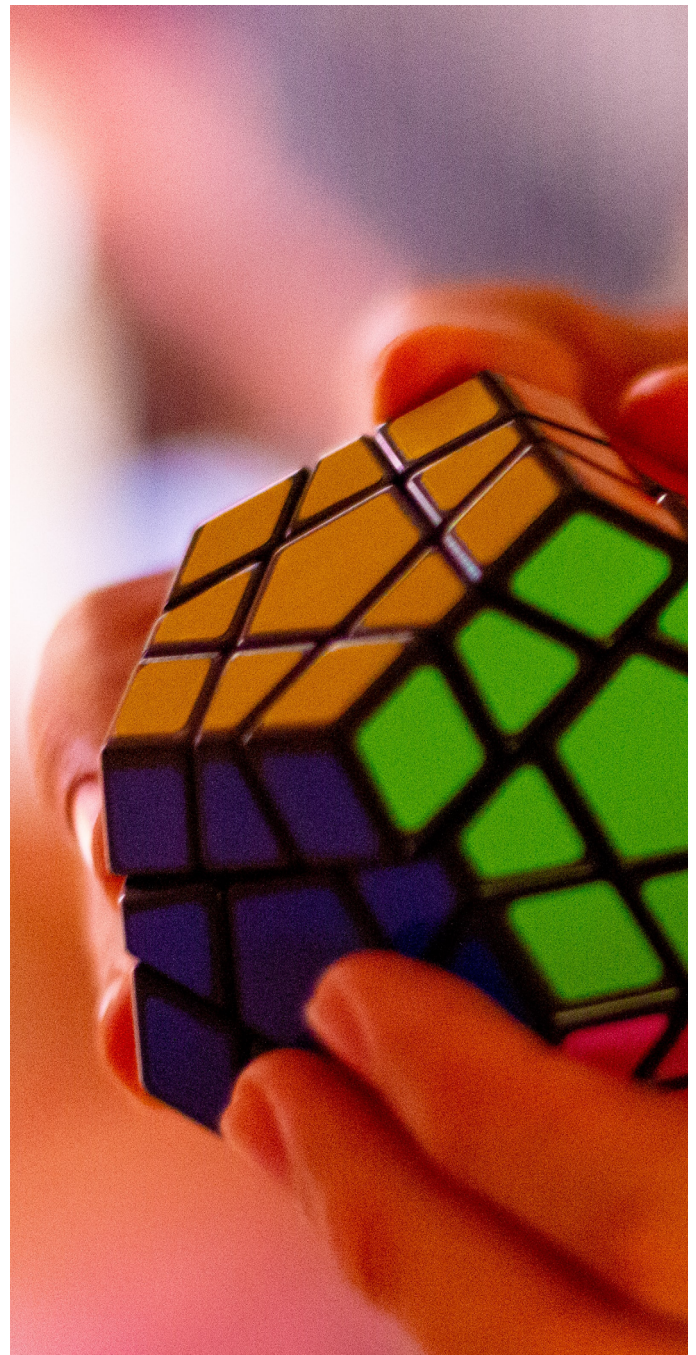
A culture of innovation

Creating a culture of innovation is the best way to thrive through VUCA times. Innovation leads to strategic agility: the ability to do things strategically and, where necessary, to make decisions and course-changes rapidly. This flexibility to pivot in the face of emerging developments is a key determinant of long-term success.

The ability to pivot in the face of new developments is a key determinant of long-term success

Diversity of thought within your team will create opportunities for transformative ideas to emerge. Meanwhile, openness, transparency and effective two-way communication are essential for unlocking the potential of that team.

While these ingredients create the right environment for creating a culture of innovation, they are nothing without the right training: the enabling factor that lets employees reach their full potential.



Learning new skills through experience

Experiential learning provides real-life situations that test and develop the skills required for successful leadership. This is most effective when the training is done as a team, representing people from all levels of the organization and allowing them to see the world from each-other's perspectives.

Experiential learning develops hard skills and soft skills together in a way that realistically reflects how these skills will be deployed in practice. Experiential learning gives participants the opportunity to take management decisions such as resource allocation, executing a business plan, and engaging with stakeholders. Replicating the real-life circumstances and pressures under which these decisions must be taken is a key element of preparing employees for navigating a VUCA world.

Participants' reactions to the challenges presented in an immersive, safe space form the basis for appraisal and constructive feedback, leading to more effective teamwork and higher performance.

The events of recent years prove that relying on old ways of working and hoping for a 'return to normal' is no-longer an option. Leadership in VUCA times requires self-knowledge, empathy, teamwork and open-mindedness. StratX ExL's experiential learning solutions are the most effective way to endow your workforce with these attributes. VUCA is inevitable and unavoidable, so there's no excuse for not giving your organization the tools required to grow stronger and embrace whatever new opportunities it brings.